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SUBJECT: IAEA: GUIDANCE FOR THE IAEA BUDGET WORKING GROUP

¶1. This is an action request; see para 2-3 below.

¶2. ACTION REQUEST: Washington requests Mission UN Vienna (UNVIE) to use the Budget Working Group (BWG) and Medium Term Strategy (MTS) for 2012-2017 processes to advance U.S. budget priorities and management improvements, focusing on achieving greater operational efficiencies and enhancing transparency in budget formulation and execution. For the 2011 budget, Mission should state that we are not seeking ZRG for 2011. We would like to focus on funding capital investments, which we believe are necessary but were not funded in 2010, and on the continued mainstreaming of nuclear security. Mission should not speak to a specific level of increase at this time. Washington also requests that the Mission continue to provide information as these processes move along on factors such as what the Agency expects to propose for 2011, the status of the major capital projects, and the short-term requirements for these projects, in order to inform our decision on guidance on the overall budget level. Washington further requests additional information on the proposal for a special assessment related to capital projects. In addition to 2011, the U.S. should call on the BWG to address the 2012-2013 budget, consistent with the Board's decision on the 2010 budget.

¶3. Management issues to be pursued through the BWG should focus on identifying opportunities for efficiency gains through management reform and improved business practices, for example, by reforming the IAEA's procurement processes. We also would like to see a meaningful discussion in the BWG on the prioritization of programs, including sun-setting programs in which the IAEA does not have comparative advantage. Consideration also should be given to expanding and partnering with private enterprise and NGOs in areas where the IAEA does enjoy a comparative advantage. We support efforts to reform management and improve efficiency at the IAEA as we seek to right-size its budget through a needs-based assessment. We believe that an advisory group on management reform should be established to make recommendations to the Secretariat that the Board would take into account in the budget for 2012-2013. In addition, we would like the BWG to address how the IAEA's budget formulation process can be improved to demonstrate better the IAEA's true resource requirements, how the IAEA can better communicate what it's achieving, and how Member States can take a more active role in guiding Program and Budget formulation. As for the Medium Term Strategy (MTS), UNVIE should emphasize that the MTS should be utilized as an effective tool in budget planning, as it was meant to be.

¶4. To build on the preceding guidance, the Department in the near future will draft a strategy that includes budget priorities based on a needs-based assessment, engagement options, timelines for decision, and recommended guidelines for both the Budget and MTS Working Groups.

¶5. Outside of Vienna, the USG is planning a concerted, higher-level push to better resource the IAEA in the next biennium. Such an approach will take advantage of the President's agenda and Cabinet-level attention to commit Geneva Group states to relax their strict preference for

zero-real growth and encourage stronger management practices by the IAEA, including, among other things, a more transparent, defensible, and needs-based approach to budget development. This effort will take advantage of the UK-proposed conference on IAEA governance (to be worked through London), the G-8 process, the BWG and Medium Term Strategy (MTS) processes, and related vehicles.

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